

**The Internal Revenue Service
Has Made Substantial Progress in Its
Business Continuity Program,
but Continued Efforts Are Needed**

December 2002

Reference Number: 2003-20-026

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

December 4, 2002

MEMORANDUM FOR ACTING COMMISSIONER WENZEL

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed (Audit # 200220041)

This report presents the results of our review of the Internal Revenue Service's (IRS) Business Continuity Program. The overall objective of this audit was to review the IRS' policies and strategies for business continuity and to determine the status of the IRS' efforts in developing, implementing, testing, and maintaining its Business Continuity Program.

In summary, the IRS has made substantial progress in developing and implementing its Business Continuity Program that includes disaster recovery, business resumption, and other related efforts to ensure that IRS operations continue.

The IRS has disaster recovery plans in place for the computing centers, and business resumption and disaster recovery plans for the IRS campuses. These plans have been periodically tested and updated. The IRS has also developed a continuity of operations plan that will be used in restoring essential National Headquarters functions during an emergency. In addition, the IRS has improved physical security at its offices, taken steps to identify critical assets,¹ and increased the visibility of business continuity issues by reporting them as material weaknesses under government financial reporting requirements.² See Appendix IV for additional information on actions taken by the IRS.

¹ The IRS has identified critical assets as called for in Presidential Decision Directive 63, *Critical Infrastructure Protection*, dated May 22, 1998.

² A material weakness is a control deficiency that an agency determines to be significant enough to be reported outside the agency (see Federal Managers' Financial Integrity Act of 1982, 31 U.S.C. §§ 1105, 1113, and 3512 (1994 & Supp. IV 1998)).

The IRS has placed organizational responsibility for coordinating its business continuity efforts with the Security Services organization. Coordinating and controlling the IRS' Business Continuity Program is clearly a challenge in an organization with over 100,000 employees and over 750 buildings dispersed throughout the nation.

The Security Executive Steering Committee (ESC) was established to provide executive level oversight of the security program, including business continuity. Other ESCs are also involved in the oversight of business continuity issues. These include the Financial Management Controls ESC and the Campus Business Resumption Steering Committee.

The IRS has recognized the overlapping responsibilities of the various ESCs in business continuity issues and the difficulties in managing issues involving all IRS Business Units. To improve the processes for reporting on and monitoring the Business Continuity Program, the IRS has started to develop a formal governance process. Because of the inherent difficulties in providing oversight for the numerous activities among the IRS Business Units, finalizing the governance process is necessary to enhance and assure organizational responsibility, accountability, and integration of the IRS' Business Continuity Program.

Additionally, the IRS has yet to clearly define functional duties, responsibilities, and reporting relationships of the Business Continuity Program in sufficient detail. While the Internal Revenue Manual (IRM) assigns responsibilities for business continuity to "Heads of Offices," the IRS has not fully determined the executives to whom this applies. For example, each of the four IRS Business Units has executives in charge of its programs. However, in large IRS offices where more than one Business Unit is present, it is not clear whether each executive is responsible for developing individual business continuity plans or whether one executive is responsible for developing these plans in each geographic location. IRS management advised us that the Senior Commissioner Representatives should have these responsibilities.

To improve the Business Continuity Program, we recommended that the Deputy Commissioner clarify the business continuity responsibilities of the various IRS organizations, offices, and executives, including defining organizational expectations and roles and updating the IRM, and ensure that the business continuity governance process documentation is completed and implemented.

Management's Response: The Chief, Security Services, concurred with our recommendations and indicated that actions are underway for coordinating with the various organizational components and executives managing the Business Continuity Program to clearly define the roles, responsibilities, and expectations for each area. Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call Scott E. Wilson, Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

Table of Contents

Background	Page 1
The Internal Revenue Service Has Initiated Numerous Activities to Improve Its Business Continuity Program.....	Page 2
Business Continuity Responsibilities of Various Internal Revenue Service Offices, Steering Committees, and Executives Need to Be Clarified	Page 4
<u>Recommendations 1 and 2:</u>	Page 6
Appendix I – Detailed Objective, Scope, and Methodology	Page 7
Appendix II – Major Contributors to This Report.....	Page 8
Appendix III – Report Distribution List	Page 9
Appendix IV – Status of the Internal Revenue Service’s Business Continuity Efforts as of July 31, 2002.....	Page 10
Appendix V – Management’s Response to the Draft Report	Page 16

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

Background

This report presents the results of the Treasury Inspector General for Tax Administration's review of the Internal Revenue Service's (IRS) efforts in the areas of business continuity planning and management. The IRS uses the phrases "disaster recovery" for the restoration of computing services and "business resumption" for the restoration of operations at IRS sites. For the purposes of this report, the phrase "business continuity" is used as an umbrella term to cover a family of interrelated disciplines that includes disaster recovery, business resumption, and all other services necessary to ensure the IRS' essential functions are returned to an operational status following a disaster.

Business continuity requirements are defined in various government-wide documents including:

- Presidential Decision Directive (PDD) 63,¹ *Critical Infrastructure Protection*, which requires agencies to identify and protect critical infrastructures (physical and cyber-based systems) that are essential to the minimum operations of the economy and government.
- Federal Preparedness Circular 65,² *Federal Executive Branch Continuity of Operations (COOP)*, which requires agencies to develop continuity of operations plans and provides guidance for the plans' contents.
- Office of Management and Budget (OMB) Circular A-130, *Management of Federal Information Resources*,³ which requires agencies to provide for continuity of support and contingency planning for their general support systems and major applications, respectively.

The IRS has placed organizational responsibility for coordinating its business continuity efforts in the Security Services organization within the Chief Information Officer's Modernization Information Technology and Security Services (MITS) organization. However, various Executive Steering Committees (ESC) are also involved in these

¹ PDD 63, *Critical Infrastructure Protection*, dated May 22, 1998.

² Federal Emergency Management Agency Federal Preparedness Circular 65, *Federal Executive Branch COOP*, dated July 26, 1999.

³ OMB Circular A-130, *Management of Federal Information Resources*, dated November 28, 2000.

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

business continuity efforts. For example, the Security ESC, the Financial Management Controls ESC, and the Campus Business Resumption Steering Committee all provide some form of oversight in these efforts.

The audit was performed at the IRS National Headquarters and Martinsburg Computing Center from April to August 2002. This audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

The Internal Revenue Service Has Initiated Numerous Activities to Improve Its Business Continuity Program

Managing and coordinating business continuity efforts in an organization with over 100,000 employees dispersed in over 750 buildings throughout the nation that are supported by 16 mainframe and 900 mid-range computer systems is clearly a challenge.⁴ The IRS is addressing this challenge and has already made considerable progress in improving its Business Continuity Program. For example, the IRS has:

- Established the Security ESC chaired by the Deputy Commissioner to provide executive level oversight to the security program, including the Business Continuity Program.
- Developed disaster recovery plans for the computing centers and business resumption and disaster recovery plans for the IRS campuses. These plans are periodically tested and updated.
- Obtained emergency funding from the OMB after the September 11, 2001, disaster.
- Initiated plans to improve the recovery capability of its mainframe computers located at the computing centers. The IRS estimated it would take approximately 4 weeks to restore critical systems and 3 months to fully integrate and return supporting systems to operational levels that existed prior to a disaster.⁵

⁴ Modernization Information Technology and Security Services Strategic Assessment, Fiscal Years 2003-2004, dated April 17, 2002.

⁵ For additional information, see "IRS-Wide Business Continuity Planning, Case For Action," draft, November 30, 2001.

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

- Developed a continuity of operations plan for the IRS National Headquarters, established offsite Situation Awareness and Management Centers (SAMC) for management's use during an emergency, and conducted a test of the continuity of operations plan using one of the SAMCs.
- Improved physical security at its offices by hiring additional guards, and implemented new mail handling procedures.
- Identified 19 critical assets,⁶ 18 critical business processes (e.g., processing refunds, processing tax returns), and 6 critical administrative processes (e.g., providing computing and communications resources, providing procurement services) as required by federal guidelines.
- Recognized the need to identify vital records in support of the 18 critical business processes and to coordinate with the IRS' Records Officer who is responsible for the IRS' overall Vital Records Program.
- Increased the visibility and management oversight of business continuity issues by indicating, for example, Master File recovery as a material weakness under government financial reporting requirements.⁷
- Updated the Internal Revenue Manual (IRM) business continuity procedures.

We believe that the IRS' collective activities, if properly implemented, should significantly reduce the business continuity risks facing the IRS.

Additional information on actions taken by the IRS is included in Appendix IV.

⁶ The IRS has identified critical assets (includes buildings and computer systems) as called for in PDD 63. Subsequently, the National Critical Infrastructure Assurance Officer identified 6 of the 19 IRS critical assets that may require priority attention from a security perspective.

⁷ A material weakness is a control deficiency that an agency determines to be significant enough to be reported outside the agency (see Federal Managers' Financial Integrity Act of 1982, 31 U.S.C. §§ 1105, 1113, and 3512 (1994 & Supp. IV 1998)).

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

Business Continuity Responsibilities of Various Internal Revenue Service Offices, Steering Committees, and Executives Need to Be Clarified

OMB Circular A-123, *Management Accountability and Control*,⁸ requires the IRS to ensure that appropriate authority, responsibility, and accountability are defined and delegated to accomplish the mission of the organization and that an appropriate organizational structure is established to effectively carry out the program responsibilities.

The IRS' Business Continuity Program is defined in the January 2002 IRM revision, which states that "the senior executive responsible for an IRS business function shall initiate and ensure that the Business Continuity Planning Program policy established by the Commissioner is followed and delegate implementation of the Business Continuity Program to Heads of Offices."

The Security ESC, the Financial Management Controls ESC, and the Campus Business Resumption Steering Committee provide executive support of the IRS' Business Continuity Program. The IRS has recognized the overlapping responsibilities of the various ESCs and the difficulties in managing issues involving all IRS Business Units. To improve the processes for reporting on and monitoring the Business Continuity Program, the IRS has begun developing a formal governance process. This will include documentation of the oversight process for all security activities, including the Business Continuity Program, and show the interrelationships among the various ESCs to improve accountability and integration of program activities.

Because of the inherent difficulties in providing oversight for numerous activities among the IRS Business Units, finalizing the governance process is necessary to enhance and assure organizational responsibility, accountability, and integration of the Business Continuity Program. Finalizing this process should also help ensure timely completion and adequate funding of ongoing business continuity activities. Use of the governance process will help enhance the IRS' business continuity capability.

⁸ OMB Circular A-123, *Management Accountability and Control*, dated June 21, 1995.

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

Functional responsibility for the Business Continuity Program involves all organizational components of the IRS, including the Security Services organization that is responsible for coordinating the IRS' business continuity efforts. The Security Services organization is supported by each of the IRS Business Units, the MITS organization that is responsible for restoration of computer operations, and the Agency-Wide Shared Services organization that is responsible for addressing building security issues and assuring the availability of vital paper and electronic records. Due to the number of ongoing business continuity activities involving representatives from each of the IRS Business Units and several contractors, the Security Services organization has developed a master list (called the IRS Mission Assurance Big Board) to assist in monitoring the activities.

The IRS has not clearly defined the functional duties, responsibilities, and reporting relationships of the Business Continuity Program in sufficient detail. While the IRM assigns responsibilities for business continuity to "Heads of Offices," the IRS has not fully determined the executives to whom this applies. For example, each of the four IRS Business Units has executives in charge of its programs. However, in large IRS offices where more than one Business Unit is present, it is not clear whether each executive is responsible for developing individual business continuity plans, or whether one executive is responsible for developing these plans in each geographic location. IRS management advised us that the Senior Commissioner Representatives should have these responsibilities.

Without fully defining and assigning the business continuity duties, responsibilities, and job titles involved, the IRS may not be able to restore mission essential functions (e.g., collecting and depositing taxes) within a reasonable period of time. The inability to restore IRS operations could have a direct impact on government revenues. For example, the IRS has estimated that lost interest revenue could total approximately \$264.1 million if the Electronic Federal Tax

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

Payment System was unable to collect taxes for 3 months.⁹ IRS officials indicated this amount could be significantly reduced if manual deposit procedures were used.

Recommendations

The Deputy Commissioner should:

1. Clarify the business continuity responsibilities of the various IRS organizations, offices, and executives, including defining organizational expectations and roles and updating the IRM.

Management's Response: Management advised that actions are underway for coordinating with the various IRS organizational components and executives managing the Business Continuity Program to clearly define the roles, responsibilities, and expectations for each area and for updating the IRM as appropriate.

2. Ensure that the business continuity governance process documentation is completed and implemented. This process should include requirements for executive level monitoring of the numerous business continuity activities to assure they are integrated, timely, effectively completed, and adequately funded.

Management's Response: Management advised that actions have been completed for ensuring that status reporting on outstanding business continuity activities is a standing agenda item on both the Operations Security Committee and the Security ESC. Actions are underway for drafting a business continuity action plan that uses a governance process for gaining enterprise-wide approval and commitment; this plan will be submitted to the Operations Security Committee and the Security ESC for approval.

⁹ For additional information, see "IRS-Wide Business Continuity Planning, Case For Action," draft, November 30, 2001.

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to review the Internal Revenue Service's (IRS) policies and strategies for business continuity and to determine the status of the IRS' efforts in developing, implementing, testing, and maintaining its business continuity efforts. This review included an assessment of the status of the IRS' business continuity planning and management processes, based on interviews with Department of the Treasury and IRS executive management responsible for these efforts, and the review of documentation supporting the business continuity effort. Specifically, we:

- I. Interviewed key executives and managers to obtain their assessment of the IRS' business continuity planning and management processes, including the:
 - Chief, Security Services, and appropriate staff.
 - Director of Enterprise Operations.
 - Critical Infrastructure Assurance Officer.
 - Director of one IRS Computer Campus (formerly called Service Centers).
 - II. Determined the IRS' status in its efforts to develop the necessary processes to protect its critical infrastructure systems. We reviewed IRS documentation prepared in response to requirements found in Presidential Decision Directives, Federal Emergency Management Agency guidelines, and Department of the Treasury regulations. The IRS documentation reviewed included:
 - Critical Infrastructure Protection Plan.
 - Business Continuity Plans.
 - Continuity of Operations Plans for mission critical systems.
 - Disaster Recovery Plans for mission critical systems.
 - System Security Plans for mission critical systems.
- A. For systems with completed planning documentation, assessed the processes used for monitoring, testing, and updating the plans.
 - B. For systems with planning documentation still in development, determined time periods for completion and implementation.

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

Appendix II

Major Contributors to This Report

Scott E. Wilson, Assistant Inspector General for Audit (Information Systems Programs)
Gary Hinkle, Director
Ted Grolimund, Audit Manager
Leon Niemczak, Audit Manager
Kevin Burke, Senior Auditor
Myron Gulley, Senior Auditor
Timothy F. Greiner, Auditor
Kim McManis, Auditor

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

Appendix III

Report Distribution List

Deputy Commissioner for Modernization & Chief Information Officer M
Commissioner, Large and Mid-Size Business Division LM
Commissioner, Small Business/Self-Employed Division S
Commissioner, Tax Exempt and Government Entities Division T
Commissioner, Wage and Investment Division W
Chief, Agency-Wide Shared Services A
Chief, Information Technology Services M:I
Chief, Security Services M:S
Director, Mission Assurance M:S:A
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaison:
 Director, Security Policy Support and Oversight M:S:S

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

Appendix IV

**Status of the Internal Revenue Service's Business Continuity Efforts
as of July 31, 2002**

<u>Activities</u>	<u>Description</u>	<u>Status</u>	<u>Responsible Organization</u>
Established the Security Executive Steering Committee (ESC)	Monitors business continuity activities and coordinates the Internal Revenue Service's (IRS) business continuity activities.	<ul style="list-style-type: none">• Governance documents are in draft.	Administered by the Modernization Information Technology and Security Services (MITS) organization and chaired by the Deputy Commissioner.
Established the Financial Management Controls ESC	Monitors actions taken to correct material control weaknesses ¹ in the IRS' processes.	<ul style="list-style-type: none">• On going.	The Deputy Commissioner chairs the Financial Management Controls ESC.

¹ A material weakness is a control deficiency that an agency determines to be significant enough to be reported outside the agency (see Federal Managers' Financial Integrity Act of 1982, 31 U.S.C. §§ 1105, 1113, and 3512 (1994 & Supp. IV 1998)).

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

<u>Activities</u>	<u>Description</u>	<u>Status</u>	<u>Responsible Organization</u>
Established Campus Business Resumption Steering Committee	Provides guidance and program oversight to the campuses (formerly called Service Centers) and monitors their business resumption planning activities.	<ul style="list-style-type: none"> Established in 1998. Provides on-going direction and includes documenting, testing, and updating resumption plans at IRS campuses. 	Chaired by the Director of the Andover Campus.
Produced a National Headquarters Continuity of Operations (COOP) Plan	The IRS produced and updated a National Headquarters COOP plan. This Plan is used to ensure National Headquarters business continuity and is based on the guidance contained in Federal Preparedness Circular 65. ²	<ul style="list-style-type: none"> A test was conducted in August 2002. 	MITS
Implemented the Situation Awareness and Management Centers (SAMC)	Designed to bring decision makers together in an environment to obtain ongoing incident information and to provide managed responses.	<ul style="list-style-type: none"> A SAMC has been developed. Alternate sites have been determined for the SAMC. Processes are being refined. Tests are being developed and planned. 	MITS

² Federal Emergency Management Agency Federal Preparedness Circular 65, *Federal Executive Branch COOP*, dated July 26, 1999.

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

<u>Activities</u>	<u>Description</u>	<u>Status</u>	<u>Responsible Organization</u>
Provided Data to the National Critical Infrastructure Assurance Office (NCIAO) ³	The government-wide process to identify Critical Infrastructure Protection Assets in support of Presidential Decision Directive (PDD) 63. ⁴	<ul style="list-style-type: none"> • Identified six IRS assets as being among the Department of the Treasury's most relevant PDD 63 assets. • Identifying business processes associated with these six assets. • Identifying significant public and private sector interdependencies. 	MITS
Established Mission Assurance Function	The MITS organization has designated an organization within the Security Services organization to be responsible for coordinating the IRS' business continuity activities.	<ul style="list-style-type: none"> • Organization is not fully staffed. • Obtained funding for contractor support. 	MITS
Created Business Continuity Case for Action	Provides a strategy for implementing the IRS-wide business continuity planning.	<ul style="list-style-type: none"> • Drafted business case for comment. 	MITS

³ The NCIAO is located in the Department of Commerce.

⁴ PDD 63, *Critical Infrastructure Protection*, dated May 22, 1998.

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

<u>Activities</u>	<u>Description</u>	<u>Status</u>	<u>Responsible Organization</u>
Developed a Disaster Recovery Triplex Strategy	The IRS has approved a plan to provide the capability to restore operations of critical systems within required time periods.	<ul style="list-style-type: none"> • Initial funds have been allocated. • Full implementation of this capability is not expected before the 2nd quarter of Fiscal Year (FY) 2003. 	MITS
Recognized the Need to Produce a Business Continuity Project Management Plan	To provide an overall management plan to guide in the development, coordination, direction, and implementation of the IRS' business continuity efforts.	<ul style="list-style-type: none"> • The IRS has assigned contractors to develop an overall plan by September 30, 2002. 	MITS
Initiated Business Continuity Critical Process Mapping	Compilation of critical data needed to assist IRS officials in the event of a crisis affecting any IRS facility, including vital records.	<ul style="list-style-type: none"> • Identified 18 critical business processes. • Identified six administrative processes. • In the process of mapping processes to locations, vital records, essential personnel, outage times, and supporting information technology systems. 	MITS

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

<u>Activities</u>	<u>Description</u>	<u>Status</u>	<u>Responsible Organization</u>
Updated and Issued Internal Revenue Manual (IRM)	Section 2510 of the IRM defines the IRS' Business Continuity Program.	<ul style="list-style-type: none"> • Issued in January 2002. 	MITS
Developing Governance Document	Provides mission statements and other documents for defining responsibilities, oversight, and reporting requirements.	<ul style="list-style-type: none"> • Mission statements have been drafted. • Governance documents have been produced and circulated for comment. 	MITS
Performed Facility Risk Assessments	Physical security risk assessments of IRS facilities. The IRS has over 750 facilities.	<ul style="list-style-type: none"> • Completed 171 site-specific risk assessments covering 65 percent of IRS floor space. • An additional 20 assessments are scheduled during FY 2002. 	Agency-Wide Shared Services (AWSS)
Determined Whether Occupant Emergency Plans (OEP) Existed at IRS Offices	The OEP is a document containing instructions to employees on what to do during an emergency, such as a fire, a power outage, a bomb threat, etc. Every IRS location is required to have an updated OEP.	<ul style="list-style-type: none"> • The AWSS function has requested that regional facilities managers verify that all OEPs exist and are current.⁵ 	AWSS

⁵ Recommendations for improving the OEP have been proposed in the audit report titled, *Physical Security Can Be Improved to Maximize Protection Against Unauthorized Access and Questionable Mail* (Reference Number 2003-20-004, dated October 2002).

**The Internal Revenue Service Has Made Substantial Progress in Its
Business Continuity Program, but Continued Efforts Are Needed**

<u>Activities</u>	<u>Description</u>	<u>Status</u>	<u>Responsible Organization</u>
Revised Mail Handling Procedures	Procedures were developed and implemented to protect employees and to isolate and contain dangerous substances while processing mail.	<ul style="list-style-type: none">• Implemented.⁶	Coordinated by the Security ESC chaired by the Deputy Commissioner.

Source: Compiled by the Treasury Inspector General for Tax Administration from various IRS sources.

⁶ A recommendation for improving mail handling procedures has been proposed in the audit report titled, *Physical Security Can Be Improved to Maximize Protection Against Unauthorized Access and Questionable Mail* (Reference Number 2003-20-004, dated October 2002).

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

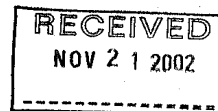
Appendix V

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

NOV 21 2002



MEMORANDUM FOR ACTING TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Len Baptiste *Len Baptiste*
Chief, Security Services

SUBJECT: Response to Draft Audit Report – The Internal Revenue Service Has Made Substantial Progress In Its Business Continuity Program, But Continued Efforts Are Needed (Audit #200220041)

Our management goal is to achieve an enhanced security program that effectively manages risks. Your report acknowledged the substantial progress we have made in our Business Continuity Program that includes disaster recovery, business resumption, and other related efforts to strengthen our security. For example, we have:

- Designated Security Services as the organizational unit responsible for coordinating the IRS' business continuity efforts
- Provided executive oversight of business continuity efforts through various security executive steering committees and the Campus Business Resumption Steering Committee
- Developed, periodically tested, and updated disaster recovery plans for computing centers and business resumption and disaster recovery plans for the IRS campuses
- Developed a continuity of operations plan for restoring essential National Headquarters functions
- Improved physical security at IRS computing centers and campuses
- Identified critical assets as required by the Presidential Decision Directive 63, Critical Infrastructure Protection, dated May 22, 1998

We have an effective and aggressive security program that has increased the visibility of business continuity issues. We have also initiated efforts to develop a formal governance process for the various security-related executive steering committees, such as the Security Executive Steering Committee, and the Campus Business

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

2

Resumption Steering Committee, which provide leadership and oversight. I attached a detailed response to your report recommendations.

If you have any questions, please call me at (202) 622-8910, or Colleen Murphy, Director, Mission Assurance at (202) 283-4351.

Attachment

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

Management response to Draft Audit Report – The IRS Has Made Substantial Progress in Its Business Continuity Program But Continued Efforts Are Needed (Audit # 200220041)

RECOMMENDATION #1: Clarify the business continuity responsibilities of the various IRS organizations, offices, and executives, including defining organizational expectations and roles and updating the IRM.

ASSESSMENT OF CAUSE:

We did not clearly define in sufficient detail the functional duties, responsibilities, and reporting relationships for the Business Continuity Program. In addition, our systems modernization efforts introduced issues that were not addressed in the Program.

CORRECTIVE ACTION TO RECOMMENDATION #1:

- a. We are coordinating with the various IRS organizational components and executives managing the Business Continuity Program to clearly define the roles, responsibilities, and expectations for each area.
- b. We are reviewing the IRM to identify where to incorporate any revisions to the roles, responsibilities, etc. of the Business Continuity Program. We will update the IRM as appropriate.

IMPLEMENTATION DATE:

- a. March 1, 2003
- b. December 1, 2003

RESPONSIBLE OFFICIAL:

- a. Director, Mission Assurance
- b. Director, Mission Assurance

The Internal Revenue Service Has Made Substantial Progress in Its Business Continuity Program, but Continued Efforts Are Needed

RECOMMENDATION #2: Ensure that the business continuity governance process documentation is completed and implemented. This process should include requirements for executive level monitoring of the numerous business continuity activities to assure they are integrated, timely, effectively completed and adequately funded.

ASSESSMENT OF CAUSE:

Several security-related executive steering committees and the Campus Business Resumption Steering Committee provide executive leadership and support to the Business Continuity Program. IRS recognized that these organizations had overlapping responsibilities.

CORRECTIVE ACTIONS TO RECOMMENDATION #2:

- a. We took actions to ensure that status reporting on outstanding business continuity activities is a standing agenda item on both the Operations Security Committee and the Security Executive Steering Committee.
- b. We are drafting a business continuity program action plan that uses a governance process for gaining enterprise wide approval and commitment. We will submit this plan to the Operations Security Committee and the Security Executive Steering Committee for approval.

IMPLEMENTATION DATES:

- a. Completed - November 1, 2002
- b. June 1, 2003

RESPONSIBLE OFFICIAL:

- a. Director, Mission Assurance
- b. Director, Mission Assurance